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significant. Currency exchange rate fluctuations affect our consolidated balance sheet, cash flows and income statement when foreign currencies are exchanged or translated to SEK. Our attempts to reduce the effect of exchange rate fluctuations through a variety of hedging activities may not be sufficient or successful, resulting in an adverse impact on our results.

A stronger SEK exchange rate would generally have a negative effect on our competitiveness compared to competitors with costs denominated in other currencies.

**A significant interruption or other failure of our information technology (IT) operations or communications networks could have a material adverse affect on our operations and results.**

Our business operations rely on complex IT operations and communications networks which are vulnerable to damage or disturbance from a variety of sources. Having outsourced a significant portion of our IT operations, we depend partly on security and reliability measures of external companies. Regardless of protection measures, essentially all IT systems and communications networks are susceptible to disruption from equipment failure, vandalism, computer viruses, security breaches, natural disasters, power outages and other events. Although we have assessed these risks and implemented controls and selected reputable companies for outsourced services, we cannot be sure that interruptions with material adverse effects will not occur.

**RISKS ASSOCIATED WITH OWNING ERICSSON SHARES**

**Our share price has been and may continue to be volatile.**

Our share price has been volatile due in part to the high volatility in the securities markets generally and for telecommunications and technology companies in particular, and in part due to the development in our market and our reported financial results, as well as statements and market speculation regarding our future prospects. Variations between our actual financial results and expectations of financial analysts and investors, as well as the timing or content of any profit warning announcements by us, may have significant impact on our share price.

Factors other than our financial results that may affect our share price include, but are not limited to, a weakening of our brand name or any circumstances causing adverse effects on our reputation, announcements by our customers, competitors or ourselves regarding capital spending plans of network operators, financial difficulties for network operators for whom we have provided financing or with whom we have entered into material contracts, awards of large supply agreements or contracts for network roll-out. Additional factors include but are not limited to: speculation in the press or investment community about the level of business activity or perceived growth in the market for mobile communications services and equipment; technical problems, in particular those relating to the introduction and viability of new network systems like 3G or IPTV; actual or expected results of ongoing or potential litigation involving ourselves or the markets in which we operate. Even though we may not be directly involved, announcements concerning bankruptcy or other similar reorganization proceedings involving, or any investigations into the accounting practices of, other telecommunications companies may materially adversely affect our share price. Our ability to forecast and communicate our future results in a manner consistent with investor expectations may affect the market value of our shares.

**Currency fluctuations may adversely affect the trading prices of our Class B shares and ADSs and the value of any distributions we make thereon.**

Because our shares are quoted in Swedish kronor (SEK) on the OMX Nordic Exchange Stockholm (our primary stock exchange), but on NASDAQ (ADSs) and the London Stock Exchange (Class B shares) in local currencies, i.e. USD and GBP, fluctuations in exchange rates between SEK and these currencies may affect the value of your investment. In addition, because we pay cash dividends in SEK, fluctuations in exchange rates may affect the value of distributions if arrangements with your bank, broker or depository, in the case of ADSs, call for distributions to you in currencies other than SEK.

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**SHARE INFORMATION****STOCK EXCHANGE TRADING**

Ericsson's Class A and Class B shares are traded on OMX Nordic Exchange Stockholm and the Class B shares are also traded on the London Stock Exchange. As of April 14, 2008, Ericsson is delisted from the London Stock Exchange.

In the United States, the Class B shares are traded on NASDAQ in the form of American Depositary Shares (ADS) evidenced by American Depositary Receipts (ADR) under the symbol ERIC. Each ADS represents 10 Class B shares.

Approximately 44 (40) billion shares were traded in 2007, of which about 83 (88) percent on OMX Nordic Exchange Stockholm, about 16 (12) percent on NASDAQ, and less than 1 (1) percent on the London Stock Exchange. Trading volume in Ericsson shares increased by approximately 3 percent on OMX Nordic Exchange Stockholm and increased by approximately 51 percent on NASDAQ as compared to 2006.

**SHARE PRICE TREND**

In 2007, Ericsson's total market value decreased by about 45 percent to approximately SEK 245 billion (SEK 446 billion in 2006). The OMX SP Index on OMX Nordic Exchange Stockholm decreased by 6 percent, the NASDAQ telecom index increased by approximately 9 percent and the NASDAQ composite index increased by approximately 10 percent in 2007.

**SHARE DATA**

	2007	2006	2005	2004
Earnings per share, diluted (SEK) <sup>1)</sup>	1.37	1.65	1.53	1.11
Operating income per share (SEK) <sup>1)</sup>	1.90	2.22	2.05	1.66
Cash flow from operating activities per share (SEK) <sup>1)</sup>	1.19	1.15	1.03	1.39
Stockholders' equity per share (SEK) <sup>1)</sup>	8.44	7.56	6.41	5.08
P/E ratio (%), Class B shares	11	17	18	19
Dividend per share (SEK)	0.50	0.50	0.45	0.25

1) Data will be impacted by the reverse split with effective date in June 2008, resolved by the Annual General Meeting of shareholders April 9, 2008. Selected financial data for 2003 have been omitted because such information cannot be restated in accordance with IFRS without unreasonable effort and expense.

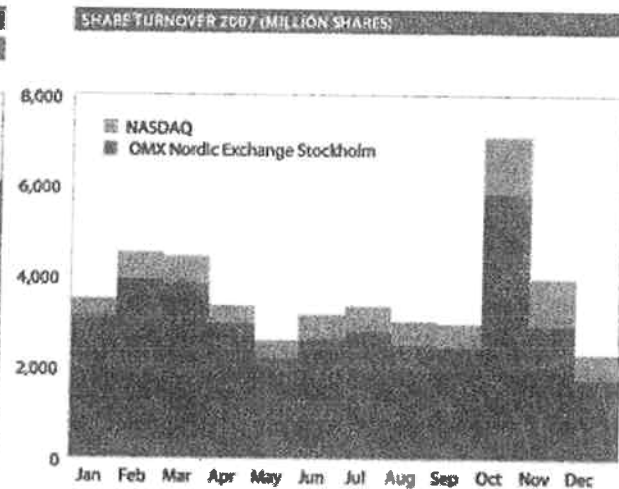
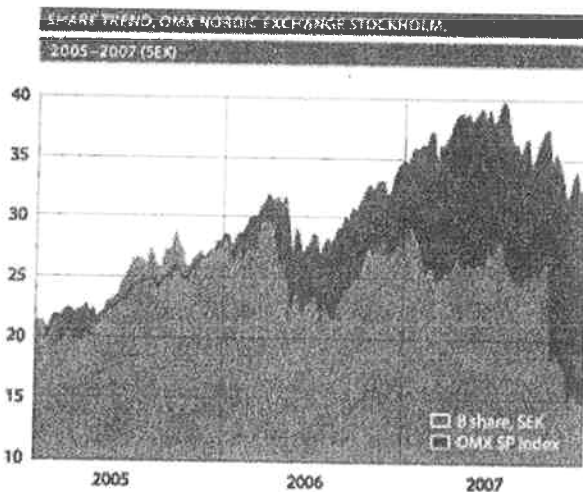


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**SHARE PRICES ON OMX NORDIC EXCHANGE STOCKHOLM**

<u>(SEK)</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Class A at last day of trading	15.36	27.60	27.50	21.70
Class A high for year (Jan 17, 2007)	29.70	30.90	28.70	26.10
Class A low for year (November 21, 2007)	14.60	20.90	19.80	14.00
Class B at last day of trading	15.18	27.65	27.30	21.20
Class B high for year (Jan 17, 2007)	29.90	31.00	29.00	24.50
Class B low for year (November 21, 2007)	14.53	20.90	19.40	12.70

**OFFER AND LISTING DETAILS ON OMX NORDIC EXCHANGE STOCKHOLM AND NASDAQ****Principal trading market—OMX Nordic Exchange Stockholm share prices**

The tables above and below state the high and low sales prices for our Class A and Class B shares as reported by OMX Nordic Exchange Stockholm for the last five years. The equity securities listed on the OMX Nordic Exchange Stockholm Official Price List of Shares currently comprise the shares of 274 companies. Trading on the exchange generally continues until 5:30 p.m. (CET) each business day. In addition to official trading on the exchange, there is also trading off the exchange during official trading hours and also after 5:30 p.m. (CET). Trading on the exchange tends to involve a higher percentage of retail clients, while trading off the exchange often involves larger Swedish institutions, banks arbitraging between the Swedish market and foreign markets, and foreign buyers and sellers purchasing shares from or selling shares to Swedish institutions.

OMX Nordic Exchange Stockholm publishes a daily Official Price List of Shares which includes the volume of recorded transactions in each listed stock, together with the prices of the highest and lowest recorded trades of the day. The Official Price List of Shares reflects price and volume information for trades completed by the members.

**Host market NASDAQ ADS Prices**

The table below states the high and low sales prices quoted for our ADSs on NASDAQ for the last five years. The NASDAQ quotations represent prices between dealers, not including retail mark-ups, markdowns or commissions, and do not necessarily represent actual transactions.

The annual high and low market prices on these markets are shown in the table “Annual high and low market prices” below.

**ANNUAL HIGH AND LOW MARKET PRICES**

<u>Period</u>	<u>OMX Nordic Exchange Stockholm</u>				<u>NASDAQ</u>	
	<u>SEK per Class A share</u>		<u>SEK per Class B share</u>		<u>USD per ADS<sup>1)</sup></u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
2003	16.80	5.55	14.60	4.11	18.85	5.20
2004	26.10	14.00	24.50	12.70	34.57	17.93
2005	28.70	19.80	29.00	19.40	37.19	27.78
2006	30.90	20.90	31.00	20.90	41.14	28.88
2007	29.70	14.60	29.90	14.53	43.41	22.23

1) One ADS = 10 Class B shares.

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The table below states the high and low sales prices for each quarter of 2006 and 2007.

**QUARTERLY HIGH AND LOW MARKET PRICES**

Period	OMX Nordic Exchange Stockholm				NASDAQ	
	SEK per Class A share		SEK per Class B share		USD per ADS <sup>1)</sup>	
	High	Low	High	Low	High	Low
<b>2006</b>						
First Quarter	30.90	25.80	31.00	25.60	39.37	33.63
Second Quarter	29.90	20.90	30.00	20.90	39.28	28.88
Third Quarter	25.70	21.00	25.80	20.90	35.35	29.13
Fourth Quarter	28.45	24.80	28.60	24.85	41.14	33.95
<b>2007</b>						
First Quarter	29.70	23.95	29.90	23.80	42.13	33.94
Second Quarter	27.86	24.85	28.06	25.00	40.52	36.10
Third Quarter	28.40	23.54	28.74	23.64	43.41	33.66
Fourth Quarter	26.80	14.60	27.04	14.53	41.96	22.23

1) One ADS = 10 Class B shares

The table below states the high and low sales prices for each of the last eight months (August 2007 to March 2008).

**MONTHLY HIGH AND LOW MARKET PRICES**

Period	OMX Nordic Exchange Stockholm				NASDAQ	
	SEK per Class A share		SEK per Class B share		USD per ADS <sup>1)</sup>	
	High	Low	High	Low	High	Low
August 2007	26.10	23.54	26.26	23.64	38.92	33.66
September 2007	26.84	24.20	27.00	24.38	40.79	35.94
October 2007	26.80	18.30	27.04	18.20	41.96	28.22
November 2007	19.46	14.60	19.48	14.53	30.55	23.00
December 2007	16.68	14.95	16.56	14.77	25.75	22.23
January 2008	15.90	13.60	15.78	13.40	24.56	20.37
February 2008	14.50	12.60	14.50	12.63	22.57	19.48
March 2008	13.04	10.71	13.01	10.88	21.43	17.04

1) One ADS = 10 Class B shares

**SHARE CAPITAL**

As of December 31, 2007, Ericsson's share capital was SEK 16,132,258,678 (16,132,258,678) represented by 16,132,258,678 (16,132,258,678) shares. The par value of each share is SEK 1.00.

As of December 31, 2007, the shares were divided into 1,308,779,918 (1,308,779,918) Class A shares, each carrying one vote, and 14,823,478,760 (14,823,478,760) Class B shares, each carrying one-tenth of one vote. As of December 31, 2007, Ericsson held 231,991,543 Class B shares as treasury shares.

There have been no share repurchases by Ericsson during 2007.



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**CHANGES IN NUMBER OF SHARES AND CAPITAL STOCK 2004–2007**

		<u>Number of shares</u>	<u>Capital stock</u>
2004	December 31 (no changes)	16,132,258,678	16,132,258,678
2005	December 31 (no changes)	16,132,258,678	16,132,258,678
2006	December 31 (no changes)	16,132,258,678	16,132,258,678
2007	December 31 (no changes)	16,132,258,678	16,132,258,678

**SHAREHOLDERS**

As of December 31, 2007, we had 760,949 shareholders registered at VPC AB (the Swedish Securities Register Center), of which 1,517 holders with a US address. According to information provided by Citibank, there were 144,025,238 ADSs outstanding as of December 31, 2007, and 5,461 registered holders of such ADSs. A significant number of the ADSs are held of record by banks, brokers and/or nominees for the accounts of their customers. As of December 31, 2007, banks, brokers and/or nominees held ADSs on behalf of 300,568 accounts.

According to information known at year-end 2007, approximately 80 percent of our Class A and Class B shares were owned by institutions, Swedish and international.

The following table sets forth share information, as of December 31, 2007, with respect to our largest shareholders registered at VPC AB and known by us, ranked by percentage of voting rights:

**TEN LARGEST COUNTRIES OF OWNERSHIP**

<u>Percent of capital</u>	<u>As of December 31,</u>	
	<u>2007</u>	<u>2006</u>
Sweden	46.1%	50.0%
United States	32.3%	27.1%
United Kingdom	6.7%	6.8%
Luxembourg	3.9%	3.9%
Switzerland	1.9%	1.9%
France	1.3%	1.4%
Netherlands	1.1%	1.1%
Denmark	1.0%	0.9%
Norway	0.7%	—
Belgium	0.5%	1.3%
Other countries	4.5%	5.6%

Source: SIS Ägarservice AB

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**LARGEST SHAREHOLDERS BY VOTING RIGHTS DECEMBER 31, 2007**

Identity of person or group <sup>1)</sup>	Percentage		Percentage		Voting rights Percent	Percentage of capital
	Number of Class A shares	of total Class A shares	Number of Class B shares	of total Class B shares		
Investor	513,320,192	39.22	307,073,324	2.07	19.49	5.09
AB Industrivärden	372,000,000	28.42	10,000,000	0.07	13.36	2.37
SHB Pensionsstiftelse	83,903,000	6.41			3.01	0.52
Livförs, AB Skandia	71,440,966	5.46	54,499,272	0.37	2.75	0.78
Pensionskassan SHB Förs.fören,	63,360,000	4.84			2.27	0.39
Swedbank Robur fonder	7,435,973	0.57	391,698,721	2.64	1.67	2.47
SHB/ SPP fonder	12,045	0.01	302,112,446	2.04	1.08	1.87
SEB Trygg Försäkring	23,224,095	1.77	57,165,000	0.39	1.04	0.50
Alecta	19,509,672	1.49	63,228,420	0.43	0.93	0.51
AMF Pension	4,763,682	0.36	201,000,000	1.36	0.89	1.28
Tredje AP-fonden	12,345,095	0.94	112,984,743	0.76	0.85	0.78
SEB fonder	2,673,549	0.20	192,175,139	1.30	0.78	1.21
SHB Personalstiftelse	20,000,000	1.53			0.72	0.12
Första AP-fonden	7,472,938	0.57	120,898,211	0.82	0.70	0.80
Nordea fonder	1,498,674	0.11	140,903,485	0.95	0.56	0.88
Fjärde AP-fonden	2,519,655	0.19	124,115,522	0.84	0.53	0.78
Oktogonen	12,903,000	0.99			0.46	0.08
Andra AP-fonden			124,137,880	0.84	0.44	0.77
Foreign owners	14,939,320	1.14	8,676,142,384	58.53	31.62	53.87
of which:						
Brandes Investment Partners, L.L.C.			481,616,029	3.25	1.73	2.99
Oppenheimer Funds Inc.			439,521,640	2.97	1.57	2.72
Baillie Gifford & Co. Ltd.			191,885,219	1.29	0.69	1.19
Barclays			188,349,187	1.27	0.67	1.17
Fidelity			136,740,145	0.92	0.49	0.85
Others	75,458,062	5.78	3,945,344,213	26.59	16.85	24.93
<b>Total</b>	<b>1,308,779,918</b>	<b>100%</b>	<b>14,823,478,760</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

- 1) Sources: SIS Ägarservice AB and VPC AB, December 31, 2007 and Capital Precision, December 2007.  
2) Including Nats Cumco as Nominee: 1 403 970 581 Class B shares.

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The following table indicates changes in holdings of the Class A and Class B shares, respectively, held by major shareholders and percent of voting rights, as of December 31, 2005, 2006 and 2007.

Person or group (percent)	2007			2006			2005		
	Class A shares	Class B shares	Voting rights	Class A shares	Class B shares	Voting rights	Class A shares	Class B shares	Voting rights
Investor AB	39.22	2.07	19.49	39.22	2.00	19.46	39.22	2.00	19.46
AB Industrivärden	28.42	0.07	13.36	28.42	0.03	13.35	28.42	0.03	13.35
Svenska Handelsbankens Pensionsstiftelse	6.41	—	3.01	6.41	—	3.01	6.41	—	3.01
Livförsäkrings AB Skandia	5.46	0.37	2.75	4.87	0.47	2.54	4.51	0.55	2.40
Pensionskassan SHB Försäkringsförening	4.84	—	2.27	4.84	—	2.27	4.84	—	2.27
Swedbank Robur Fonder	0.57	2.64	1.67	0.57	2.72	1.71	0.57	2.54	1.62
SHB/ SPP Fonder	0.01	2.04	1.08	0.07	1.87	0.99	0.05	2.13	1.15
SEB Trygg Försäkring	1.77	0.39	1.04	1.76	0.35	1.01	2.13	0.39	1.21
Alecta	1.49	0.43	0.93	1.53	1.62	1.58	1.05	2.50	1.82
AMF Pension	0.36	1.36	0.89	0.36	1.70	1.07	0.36	1.81	1.13
Tredje AP-fonden	0.94	0.76	0.85	0.94	0.81	0.87	0.91	1.02	0.97
SEB fonder	0.20	1.30	0.78	0.24	1.26	0.77	0.27	1.28	0.81
Svenska Handelsbankens Personalstiftelse	1.53	—	0.72	1.52	—	0.72	1.53	—	0.72
Första AP-fonden	0.57	0.82	0.70	0.57	1.07	0.83	0.57	1.13	0.87
Nordea Fonder	0.11	0.95	0.56	0.15	1.29	0.75	0.20	1.67	0.98
Fjärde AP-fonden	0.19	0.84	0.53	0.21	0.88	0.57	0.22	1.41	0.85
Oktogonen	0.99	—	0.46	1.00	—	0.46	—	—	—
Andra AP-fonden	—	0.84	0.44	—	1.01	0.53	0.10	1.17	0.67
Foreign owners of which:	1.14	58.53	31.62	1.44	54.34	29.53	1.24	49.86	27.06
Brandes Investment Partners, L.L.C.	—	3.25	1.73	—	—	—	—	—	—
Oppenheimer Funds Inc.	—	2.97	1.57	—	2.25	1.20	—	—	—
Baillie Gifford & Co. Ltd.	—	1.29	0.69	—	—	—	—	—	—
Barclays	—	1.27	0.67	0.02	2.00	1.05	—	—	—
Fidelity	—	0.92	0.49	—	1.72	0.91	—	2.29	1.22
Others	5.78	26.59	16.85	5.88	28.58	17.98	7.40	29.56	19.17
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: SIS Ägarservice AB and VPC AB, December 31, 2007, and Capital Precision, December 2007.

Our major shareholders do not have different voting rights than other shareholders holding the same classes of shares.

As far as we know, the Company is not directly or indirectly owned or controlled by another corporation, by any foreign government or by any other natural or legal person(s) severally or jointly.

As of December 31, 2007, the total number of voting securities of the Company owned by top executives and directors as a group was:

	Number of Class A shares	Number of Class B shares	Voting rights, percent
Top executives and directors as a group (26 persons)	6,080	18,666,584	0.07

For individual holdings, see "Corporate Governance Report".

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**SHAREHOLDER INFORMATION**

The Annual General Meeting of Shareholders will take place at the Annex to the Globe Arena, Globentorget, Stockholm, at 3.00 p.m. on Wednesday, April 9, 2008.

**ENTITLED TO ATTEND AND NOTICE OF ATTENDANCE**

Shareholders, who wish to attend the Annual General Meeting of Shareholders, must

- have been entered into the share register kept by VPC AB (the Swedish Securities Register Centre) as of Thursday, April 3, 2008; and
- give notice of attendance to the Company at the latest on Thursday, April 3, 2008, at the Company's web site [www.ericsson.com](http://www.ericsson.com), at telephone no.: +46 8 775 01 99 weekdays between 10 a.m. and 4 p.m. or at fax no.: +46 8 775 80 18.

Notice of attendance may also be given by mail to: Telefonaktiebolaget LM Ericsson, Group Function Legal Affairs, Box 47021, 100 74 Stockholm, Sweden

When giving notice of attendance, please state name, date of birth, address, telephone no. and number of assistants. The personal data that Ericsson receives with the notice of attendance will be computer processed for the purpose of the Annual General Meeting of Shareholders 2008 only.

**SHARES REGISTERED IN THE NAME OF A NOMINEE**

Shareholders, whose shares are registered in the name of a nominee, must request the nominee to enter temporarily the shareholder into the share register as of Thursday, April 3, 2008, to be entitled to participate at the Annual General Meeting of Shareholders. The shareholder is requested to inform the nominee well before that day.

**PROXY**

Shareholders represented by proxy shall issue a power of attorney for the representative. To a power of attorney issued by a legal entity, a copy of the certificate of registration (or, if no such certificate exists, a corresponding document of authority) of the legal entity shall be attached. The documents must not be older than one year. In order to facilitate the registration at the Annual General Meeting, the power of attorney in its original, certificates of registration and other documents of authority should be sent to the Company at the address above so as to be available by Tuesday, April 8, 2008.

**DIVIDEND**

The Board of Directors has decided to propose the Annual General Meeting of Shareholders to resolve on a dividend of SEK 0.50 per share for the year 2007 and Monday, April 14, 2008 as record day for dividend.

**FINANCIAL INFORMATION FROM ERICSSON**

- Interim reports 2008: April 25, 2008 (Q1) July 22, 2008 (Q2) October 24, 2008 (Q3) January 29, 2009 (Q4)
- Annual report 2008: March, 2009
- Form 20-f for the US market 2008: During Q2, 2009

Annual reports and other financial reports can be downloaded or ordered on our web site: [www.ericsson.com/investors](http://www.ericsson.com/investors) or ordered via e-mail or mail.



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**REMUNERATION**

This chapter outlines how we implement our remuneration policy in line with corporate governance best practice throughout Ericsson, with specific references to senior management. Details of senior management remuneration and Board Directors' fees can be found in the notes to the Consolidated Financial Statements, Note C29: "Information regarding Employees, Members of the Board of Directors and Management". The Company is required to submit the formal remuneration policy for senior management for shareholder approval at the Annual General Meeting and the appropriate resolution for 2008, which remains materially the same as the 2007 policy, together with resolutions relating to the Company's long-term variable remuneration plans are set out in the Notice of Annual General Meeting on Ericsson's website ([www.ericsson.com](http://www.ericsson.com)). The auditors' opinion on how we have followed our policy during 2007 is also posted on the website.

**CLEAR CONTROLS**

Remuneration processes by the nature of their sensitivity require clear controls. Within Ericsson these controls are based on three pillars: Board of Directors and Remuneration Committee authorization, audit controls and our internal system that requires two levels of managers to approve any remuneration decision. In addition, the Annual General Meeting approves the terms of our long-term variable remuneration plans and the remuneration policy for the senior management comprising the Group Management Team, including the CEO, hereafter referred to as "Group Management."

**THE REMUNERATION COMMITTEE**

The Remuneration Committee advises the Board of Directors on an ongoing basis on the remuneration of Group Management, including fixed salaries, pensions, other benefits and short-term and long-term variable remuneration. The Remuneration Committee also approves variable remuneration outcomes, prepares remuneration related proposals for Board and shareholder approval and develops and monitors the remuneration policy, strategies and general guidelines for employee remuneration. The Committee is sensitive to pay and employment conditions throughout the Company when dealing with Group Management remuneration. The purpose and function of the Committee will continue going forward and its terms of reference can be found on our website.

The Remuneration Committee is chaired by Michael Treschow and its other members are Nancy McKinstry, Börje Ekholm and Monica Bergström, all of whom are non-executive directors and independent as required by the Swedish Code of Corporate Governance. The Chairman continues to ensure that the Company maintains contact, as necessary, with its principal shareholders on the subject of remuneration.

The Company's General Counsel acts as secretary to the Committee and the CEO, the Senior Vice President Human Resources & Organization and the Vice President Compensation & Benefits attend the Remuneration Committee meetings by invitation and assist the Committee in its considerations, except when issues relating to their own remuneration are being discussed or decided.

The Remuneration Committee has appointed an independent expert advisor, Gerrit Aronson, to assist and advice the Committee. Gerrit Aronson provided no other services to the Company during 2007. The Remuneration Committee is also provided with national and international pay data collected from external survey providers and can call on other independent expertise should it so require.

**REMUNERATION POLICY**

Remuneration at Ericsson is based on the principles of performance, competitiveness and fairness. Different remuneration elements are designed to reflect these principles. Therefore a mix of several remuneration elements is applied in order to reflect the remuneration principles in a balanced way.

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The Remuneration policy and the Remuneration Committee's terms of reference for subsequent years will be reviewed annually in light of matters such as changes to corporate governance best practice or changes to accounting, legislation, political opinion or business practices among peers. This will help to ensure that the policy continues to provide Ericsson with a competitive remuneration strategy and, in accordance with Swedish law, the policy will be brought to shareholders annually for approval.

**FIXED SALARY**

Fixed salaries are set to be competitive, taking account of global remuneration practices together with an individual's home market. The absolute levels are determined by the size and complexity of the job and the year-to-year performance of the individual jobholder. Group Management salaries are, together with other elements of remuneration, subject to an annual review by the Remuneration Committee, which considers external pay data to ensure that levels of pay remain competitive and appropriate in light of the Company's remuneration policy. When setting fixed salaries the Remuneration Committee considers the impact on total remuneration, including pension contributions and associated costs.

**VARIABLE REMUNERATION AND PERFORMANCE**

At Ericsson we strongly believe that, where possible, we should encourage variable remuneration throughout the Company as we believe it reinforces performance, enables businesses to have more flexible pay-roll costs and supports employee alignment to clear targets.

Performance is specifically reflected in the variable remuneration—both in an annual variable component and in a long-term variable part. Although this may vary over time to take account of pay trends, currently the target level of the short-term variable remuneration for Group Management is between 30 and 40 percent of the fixed salary, but outcomes can vary between zero and twice the target opportunity. The long-term variable remuneration is set to achieve a target of around 30 percent of the fixed salary. In both cases the variable pay is measured against the achievement of specific business objectives, reflecting the judgment of the Board of Directors as to the right balance between fixed and variable pay and the market practice for remuneration of executives. All variable remuneration plans have maximum award and vesting limits.

**Short-Term Variable Remuneration**

The annual variable remuneration is through cash-based programs, with specific business targets derived from the annual business plan approved by the Board of Directors. The exact nature of the targets will vary depending on the specific job but for Group Management may include financial targets at either corporate level or at a specific business unit level, operational targets, employee motivation targets and customer satisfaction targets.

We operate global short-term variable plans for management and for sales professionals and these plans are adopted to local requirements. The Board of Directors and the Remuneration Committee decide on all Ericsson Group targets, which are then cascaded to unit-related targets, all subject to the two level management approval process. The Remuneration Committee monitors the appropriateness of the target levels throughout the year and has the authority to revise them should they not remain relevant, stretching and/or enhance shareholder value. Employees not covered by global short-term variable plans may be eligible for local plans, which vary in design according to local competitive practice. Performance has a significant effect on the overall remuneration of the individual. In 2006 Ericsson enjoyed one of several years of outstanding performance with short-term variable remuneration paying out at or near the maximum opportunity for Group Management. During 2007, our profitability did not develop to expectations and, as a result, payments will generally be significantly lower.

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**Long-Term Variable Remuneration**

Share based long-term variable remuneration plans are submitted each year for approval by shareholders at the Annual General Meeting. For Group Management the payout is determined by three specific variables: The individual's own investment in shares, a long-term financial target at group level and the share price development.

All long-term variable remuneration plans are designed to form part of a well balanced total remuneration. Ericsson has no formal guidelines for equity ownership but the long-term variable remuneration facilitates that Group Management and a large proportion of Ericsson's employees build up a significant personal ownership in the Company's stock over time. This is achieved through a combination of personal investment and stock-based remuneration made up of three different but linked plans: The Stock Purchase Plan, the Key Contributor Retention Plan and the Executive Performance Share Plan.

*The Stock Purchase Plan*

The Stock Purchase Plan is designed to offer, where practicable, an incentive for all employees to participate in the Company, which is consistent with industry practice and with our ways of working. Under the plans, employees can save up to 7.5 percent (CEO 9 percent) of gross fixed salary for purchase of class B shares at market price on the OMX Nordic Exchange Stockholm or ADSs at NASDAQ (contribution shares) during a twelve-month period. If the contribution shares are retained by the employee for three years after the investment and employment with the Ericsson Group continues during that time, the employee's shares will be matched with a corresponding number of class B shares or ADSs free of consideration. Employees in 88 countries participate in the plan and in November 2007 the number of participants was 19,000 or approximately 26 percent of employees.

Participants save each month, beginning with August payroll, towards quarterly investments. These investments (in November, February, May and August) are matched on the third anniversary of each such investment and hence the matching spans over two financial years and two tax years.

*The Key Contributor Retention Plan*

The Key Contributor Retention Plan is designed to give recognition for performance and potential as well as encourage retention of key employees. Under the program up to 10 percent of employees are selected through a nominations process that identifies individuals according to performance, critical skills and potential. Participants obtain one extra matching share in addition to the one matching share for each contribution share purchased under the Stock Purchase Plan during a twelvemonth program period. The plan was introduced in 2004 and has been repeated 2005, 2006 and 2007.

*The Executive Performance Stock Plan*

The Executive Performance Stock Plan was introduced in 2004 and has been repeated 2005, 2006 and 2007. The plan is designed to focus management on driving earnings and provide competitive remuneration. Senior executives, including Group Management, are selected to obtain up to four or six extra shares (performance matching shares) in addition to the one matching share for each contribution share purchased under the Stock Purchase Plan. For the 2006 and 2007 programs, the CEO is allowed to invest up to 9 percent of fixed salary in contribution shares and may obtain up to eight performance matching shares in addition to the Stock Purchase Plan matching share for each contribution share. The performance matching is subject to the fulfillment of an Earnings Per Share (EPS) performance target.

The past and continued use of average annual EPS growth relative to challenging and stretching targets as a performance measure reflects the Company's ongoing strategy of adding shareholder value through the long-term improvement of profitability. Furthermore, the use of a constant and key financial performance measure



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alongside the inherent share price focus of the co-investment principle ensures close alignment with the long-term interests of shareholders whilst providing clear, transparent and continuous line-of-sight for participants. The Remuneration Committee has been satisfied that the present approach remains preferable to other measures, including those that reflect relative performance, but alternative measures are considered on an ongoing basis.

The performance targets are not capable of being retested after the end of the three-year performance period. If the minimum required performance is not achieved, all matching shares subject to performance will lapse. The Board may also reduce the number of performance matching shares, if deemed appropriate, considering the Company's financial results and position, conditions on the stock market and other circumstances at the time of matching.

**2007 Evaluation of Long-Term Variable Remuneration**

During 2007, the Remuneration Committee undertook an evaluation of the Company's long-term variable remuneration plans under the leadership of its independent advisor Gerrit Aronson. A number of third-party providers assisted the Company in surveying and analyzing the participant populations of the Stock Purchase Plan, the Key Contributor Retention Plan and the Executive Performance Stock Plan. The evaluation looked at how well the plans adhere to original principles, testing key features, auditing administration and scrutinizing outcomes and costs.

The objectives of the Stock Purchase Plan of providing an investment opportunity for all of Ericsson's employees and thus reinforcing a "One Ericsson" aligned with shareholder interests were shown to have been successful. Over a quarter of all employees world-wide invest in contribution shares; participation currently being as high as 45 percent in Sweden and with North America not far behind. In a survey of our employees, the two most prominent reasons for participation were attractiveness of investment and "the importance to view Ericsson from a shareholder perspective." Of those surveyed who participate in the plan the majority agreed or strongly agreed that the plan aligns participants' interests with those of shareholders, as did a significant proportion of non-participants.

The nomination process for the Key Contributor Retention Plan was audited and found to be robust. During the period 2004 to 2007, just over half of those nominated had been nominated once only. The objectives of the plan of retaining key contributors by recognizing performance together with critical skills and potential were also shown to have been met. Surveying individuals nominated for the plan and their managers, both managers and nominees recognized performance and future potential as the two key reasons for nominations. Of participating nominees, most agreed or strongly agreed that this plan has increased loyalty to Ericsson.

The Executive Performance Stock Plan is well supported by participants and outcomes follow performance and share price. Viewed against a Swedish peer group the plan is competitive, however, against Ericsson's global competitors the plan provides earnings opportunities towards the lower end of the scale.

Overall the cost and share usage of the programs have been modest in comparison with most practices around the world. The dilution from all three plans for 2004, 2005 and 2006 is estimated to come out at less than 0.2 percent per year of award with the cost below 3 percent of total remuneration costs.

The conclusions drawn from the extensive research were that the current plans are very effective and achieve their objectives with a positive impact on the business that we believe by far outweighs the costs. It is therefore the Board of Directors' intention to repeat the Stock Purchase Plan, as well as the Key Contributor Retention Plan and the Executive Performance Stock Plan in 2008, subject to approval from shareholders.

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**2001 and 2002 Stock Option Plans**

Three grants of stock options were made in 2001 and 2002 that had vested but not expired as of 31 December 2007. For further details please see Note C29: "Information regarding Employees, Members of the Board of Directors and Management".

**PENSIONS AND BENEFITS**

Pension benefits follow the competitive practice in the employee's home country and in addition to any national system for social security, pension benefits may contain various supplementary Company plans. The basic principle is that other benefits, such as company car and medical schemes, shall also be competitive in the local market.

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**INFORMATION ON THE COMPANY****HISTORY AND DEVELOPMENT**

Our origins date back to 1876 when Lars Magnus Ericsson opened a small workshop in Stockholm to repair telegraph instruments. That same year in the United States, Alexander Graham Bell filed a patent application for the telephone. Lars Magnus Ericsson soon recognized the great potential of voice-based telecommunications and realized that the technology could be improved. He started to develop and sell his own telephone equipment and within a few years reached an agreement to supply telephones and switchboards to Sweden's first telecom operator. Stockholm soon had the highest telephone density in the world.

Today, Ericsson is a leading provider of telecommunications equipment and related services to operators of mobile and fixed networks worldwide. Over 1,000 networks in more than 175 countries utilize our equipment and we are one of the few companies worldwide that support end-to-end solutions for all major mobile communication standards.

We invest heavily in R&D and actively promote standardization and open systems. As a result, we have a long history of innovation and pioneering of future technologies for more efficient and higher quality telecommunications.

Also reflecting our ongoing commitment to technology leadership, we have one of the industry's most comprehensive intellectual property portfolios containing approximately 23,000 patents.

**Technical milestones**

1878	Telegraph to telephone
1923	Manual switching to automatic switching
1956	First mobile phone system
1968	Electro-mechanical to computer control
1978	Analog switching to digital switching
1981	Fixed communications to mobile communications
1991	1G analog to 2G digital mobile technology
1998	Integration of voice and data in mobile networks
1999	Narrowband circuit to broadband packet switching
1999	Introduction of fixed telephony softswitch
2001	2G narrowband to 3G wideband mobile technology
2003	Introduction of mobile softswitch
2004	Mass commercial launch of WCDMA (3G) networks in Western Europe
2005	Commercial launch of HSDPA mobile broadband networks in North America
2006	Global commercial launches of HSPA mobile broadband networks
2007	Fiber access and VDSL, along with IPTV in broadband networks

**LONG-TERM GOALS AND BUSINESS STRATEGY**

Our ultimate goal is for the Company to generate growth and a healthy profit that is sustainable over the longer term. Ericsson's strategy is to be the preferred business partner to our customers, especially to the world's leading network operators. In order to succeed with this, we strive to be the market and technology leader by offering superior end-to-end solutions, mainly related to network infrastructure, related professional services and multimedia.

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We are a major supplier to most of the world's leading mobile operators and many of the world's leading fixed-line operators. We believe that our ability to offer end-to-end solutions—systems, applications, services and core handset technology—together with our in-depth knowledge of consumer requirements, make us well positioned to assist network operators with their network development and operations.

- We are a market leader in GSM and WCDMA/HSPA network equipment and in systems integration and managed services.
- We are growing in the area of wireline broadband networks, in metro Ethernet solutions and in optical transport.
- We are a provider of multimedia solutions for both wireless and wireline operators.

Our strategy is to:

- excel in network infrastructure;
- expand in services;
- establish a position in multimedia solutions

in order to make people's lives easier and richer, provide affordable communication for all and enable new ways for companies to do business. This is performed with operational excellence in everything we do as a base.

**Innovation for technology leadership**

Innovation is an important element of our corporate culture and is key to our competitiveness and future success.

We have a long tradition of developing innovative communication technologies, including technologies that form the base for industry standards. By early involvement in creating new standards and technologies we are often first to market with new solutions—a distinct competitive advantage.

Ericsson has earned a reputation for innovation and technology leadership by developing open standards and bringing reliable, cost-effective network solutions to market. We helped pioneer the development of industry-wide mobile technologies such as GSM, GPRS, EDGE, 3G/WCDMA/HSPA, and Bluetooth. The GSM family (GSM and WCDMA) now connect more than 80 percent of the world's mobile subscribers. Ericsson holds a leading position in standardization and trials of the next major wireless technology, Long-Term Evolution (LTE).

Within our ambitious R&D program, we have approximately 19,300 (17,100) employees in 17 (17) countries worldwide and we spent SEK 29 billion or 15 percent of sales on research and development during 2007.

The vast majority of our R&D is invested in product development of which the majority in mobile communications network infrastructure. We have continued to invest in strategically important areas of broadband access, converged networks, service layer, IP technology and multimedia.

World-class innovations are achieved also through cooperation with a variety of partners including customers, universities and research institutes. Standardization bodies establish the standards that lead the industry, and Ericsson is a leading player in all major standardization organizations.

For more information regarding product and technology development, please see "Risk Factors—Strategic and Operational Risks" and "Board of Directors' Report—Research and Development".



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**INTELLECTUAL PROPERTY RIGHTS (IPR) AND LICENSING**

Through many years of involvement in the development of new technologies, we have built up a considerable portfolio of intellectual property rights (IPR) relating to telecommunications technologies. As of December 31, 2007, we held approx. 23,000 (22,000) patents worldwide, including patents essential to the standards GSM, GPRS, EDGE, WCDMA, HSPA, MBMS, TD-SCDMA, cdma2000, WIMAX and next-generation OFDM/LTE. We also hold essential patents for many other areas, e.g. Voice-over-IP, ATM, WAP, Bluetooth, SDH, SONET and WDM.

Our intellectual property rights are valuable business assets. We license these rights to many other companies including infrastructure equipment suppliers, embedded module suppliers, handset suppliers and mobile applications developers, in return for royalty payments and/or access to additional intellectual property rights. In addition, we acquire rights via licenses to utilize intellectual property rights of third parties. We also believe that we have access to all related patents that are material to our business in part or in whole.

For more information, see “Risk Factors—Strategic and Operational Risks”.

**Addressing key operator needs**

We will continue to devote significant resources to develop end-to-end communications solutions that will stimulate network deployments for geographic coverage as well as traffic

**GENERAL FACTS ON THE COMPANY****Legal name:**

Telefonaktiebolaget LM Ericsson (publ)

**Organization number:**

556016-0680

**Legal form of the Company:**

A Swedish limited liability company organized under the Swedish Companies Act. The terms “Ericsson”, “the Company”, “the Group”, “us”, “we”, “our” all refer to Telefonaktiebolaget LM Ericsson and its subsidiaries.

**Country of incorporation:**

Sweden. The Company was incorporated on August 18, 1918, as a result of a merger between AB LM Ericsson & Co. and Stockholms Allmänna Telefon AB.

**Domicile:**

Our registered address is Telefonaktiebolaget LM Ericsson, SE-164 83 Stockholm, Sweden. Our headquarters are located at Torshamnsgatan 23, Kista, Sweden.

Our telephone number is +46 8 719 0000.

Our web site is [www.ericsson.com](http://www.ericsson.com). Please note that information on our web site does not form part of this document.

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**Agent in the US:**

Ericsson Inc., Vice President Legal Affairs, 6300 Legacy Drive, Plano, Texas 75024. Telephone number +1 972 583 0000.

**Shares:**

Our Class A and Class B shares are traded on OMX Nordic Exchange Stockholm. Our Class B shares are also traded on the London Stock Exchange (LSE). In the United States, our American depository shares (ADS), each representing 10 underlying Class B shares, are traded on NASDAQ.

**Parent Company operations:**

The business of the Parent Company, Telefonaktiebolaget LM Ericsson, consists mainly of corporate management, holding company functions and internal banking activities. Parent Company operations also include customer credit management activities performed by Ericsson Credit AB on a commission basis.

**Subsidiaries and associated companies:**

For a listing of our significant subsidiaries, please see Notes to the Parent Company Capacity and thereby drive demand for our products and services.

We believe that the migration of voice, messaging and video services into IP-based multimedia services common to both wireless and wireline access networks is the primary technological shift facing operators today.

Many of the world's leading operators are beginning to converge their mobile and fixed networks into one. Wireline operators are moving from single-service networks toward broadband packet-switched multi-service networks that have the ability to simultaneously handle multiple services, such as voice, data and images. Migration to an all-IP-based packet-switched network is a necessary step in order to combine broadband Internet, voice and image traffic into one broadband network. For consumers this means a richer experience with easier access to a wide range of applications and content on any device. For operators it means reduced costs and shorter time to market with new services.

Our solution for such multi-service networks utilizes an IMS-based multi-service environment, intelligent edge routers, combined with broadband access and core network routing and transmission elements. Organizing a network into layers isolates the different functions, i.e., access, core network and services, and facilitates easier migration to an all-IP environment. In recent years, we have strengthened our wireline portfolio in preparation for convergence and all-IP networks.

The use of wireless broadband for fixed and mobile use is growing rapidly. Ericsson provides both cost effective infrastructure solutions and laptop embedded modules for EDGE/HSPA to satisfy this growing demand.

By successfully addressing three key operator needs: modernization and expansion of access networks; introduction of IP-based revenue generating services; and cost-efficient rollout of high capacity broadband networks with service differentiation, we continuously secure strong market positions in voice over packet, soft switching and public Ethernet access.

**Expanding Professional Services**

Network operators are reducing operating expenses by optimizing the operation and maintenance of their networks. As a result, many network operators are increasingly outsourcing for example their network design, operations and maintenance activities.

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When outsourcing, operators can reduce cost of operations and gain flexibility in resources and time to market—all with an assured quality of service.

The combination of our local expertise, global technology leadership, business understanding, strong delivery capabilities and experience in integrating and managing networks make Ericsson an attractive partner for operators seeking support to reliably and cost-effectively evolve their networks to accommodate multiple technologies in their transition into one converged network.

Financial Statements—Note P9 “Investments”. In addition to our joint venture with SONY Corporation, we are engaged in a number of other minor joint ventures, cooperative arrangements and venture capital initiatives. For more information regarding risks associated with joint ventures, strategic alliances and third party agreements please see “Risk Factors—Strategic and Operational Risks”.

**Documents on display:**

We file annual reports and other information (normally in Swedish only) for certain domestic legal entities with Bolagsverket (Swedish Companies Registration Office) pursuant to Swedish rules and regulations. You may order any of these reports from their web site [www.bolagsverket.se](http://www.bolagsverket.se). If you access these reports, please be aware that the information included may not be indicative of our published consolidated results in all aspects. Other than information related to the Parent Company, only consolidated numbers for the Group totals are included in our reports.

**Filing in the US:**

Annual reports and other information are filed with the Securities and Exchange Commission (SEC) in the United States pursuant to the rules and regulations that apply to foreign private issuers. Electronic access to these documents may be obtained from the SEC's website, [www.sec.gov/edgar/searchedgar/webusers.htm](http://www.sec.gov/edgar/searchedgar/webusers.htm), where they are stored in the EDGAR database. You may read and copy any of these reports at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, or obtain them by mail upon payment of SEC's prescribed rates. For further information, you can call the SEC at +1 800 732 0330.

**BUSINESS (PRIMARY) SEGMENTS**

We supply the network equipment and services that enable telecommunication; end-to-end solutions for mobile and fixed communication.

Ericsson is a telecommunications company developing and selling a variety of products aimed largely at customers in the telecommunications industry. When determining our operating segments, we have looked at which market and to what type of customers our products and services are aimed, and through what distribution channels they are sold as well as to commonality regarding technology, research and development. To best reflect our business focus and to facilitate comparability with our peers, we implemented a more customer-oriented organization as from January 1, 2007. We now report four business segments:

- Networks; communications infrastructure and related deployment services.
- Professional Services; managed services, services for network systems integration, consulting and education and customer support services.
- Multimedia; networked media and messaging, enterprise applications, revenue management, service delivery platforms (SDP) and mobile platforms.
- Phones; The 50/50 joint venture with SONY corporation, Sony Ericsson Mobile Communications, offer a range of mobile handsets and other mobile devices, including those supporting multimedia applications and other personal communication services.

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**Segment Networks**

Business segment Networks includes products for wireless and wireline access, core networks and transmission. Related network deployment services are also included.

Segment Networks accounted for 69 percent of total sales in 2007.

*Wireless and wireline Access*

We provide wireless access solutions to network operators that enable reliable, efficient and cost effective mobile telephony networks as well as wireless broadband for mobile, nomadic and fixed users in urban and rural areas. Our expertise in all 2G and 3G standards allow us to offer tailored solutions to a network operator, regardless of the existing network standard used. Our radio base stations, interconnecting the device (eg. handset, PC) with the mobile network can easily be upgraded from GSM to GPRS/EGDE and from WCDMA to HSPA respectively.

The recent expansion of our wireline broadband offering has been an important step in reinforcing our ability to address network operators as they begin integrating their fixed and mobile networks.

Our position in public Ethernet access has been strengthened through the acquisitions of Marconi and Entrisphere. Marconi products added IP-DSL for fiber- and copper-based broadband access. The Entrisphere products in fiber technology (Gigabit Passive Optical Networks, GPON) are essential for High Definition IPTV and other IP based services with high demand on bandwidth and cost efficiency.

*IP core network (switching, routing and control)*

The evolution to IP starts in the core. Our core network solutions include industry-leading softswitch, IP infrastructure, IP-based multimedia subsystem (IMS) and media gateways. Our acquisition of Redback Networks has further strengthened our IP product portfolio with broadband routers to manage broadband, telephony, TV and mobility services.

GSM and WCDMA/HSPA share a common core network, meaning that previous investments are preserved as operators migrate from voice-centric to multimedia networks. Our switching products have industry-leading scalability and capacity. Many of our core network switching systems are built upon common platforms.

IP Multimedia Subsystem (IMS) is the key that enables subscribers to access the same content and services from a multitude of devices. IMS is an open service layer platform that hosts IP based services such as Voice over IP (VoIP), "push-to-talk" etc. Since our IMS solution is common for both fixed and mobile networks, converged services can be transparently provided independent of the type of access.

*Transmission*

Microwave and optical transport solutions provide cost-effective management of voice and data traffic.

Our MINI-LINK micro-wave radio systems is one of the world's most widely deployed solutions. Transport networks (e.g. MINI-LINK, metro optical networks) are essential elements of our end-to-end solutions and are also used by operators utilizing network equipment from other suppliers.

*Deployment Services*

Fast deployment in large volumes involves a heavy ramp-up of resources. Ericsson has developed a service delivery concept using a mix of local, in-house capabilities, subcontractors and central resources. We can manage these capabilities in a way that has proven to be successful and results in a very high degree of customer satisfaction.



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**Segment Professional Services**

Ericsson's professional services capabilities include expertise in managed services, systems integration, consulting, education and customer support services

Segment Professional Services accounted for 23 percent of total sales in 2007.

*Managed Services*

We offer some of the most comprehensive managed services capabilities within the telecom industry. Our offerings cover

- network operations; management of all aspects of day-to-day operations of a customer's network, high-quality operations of fixed and mobile networks at a predictable cost.
- hosting of applications and content management; we enable operators to launch multimedia services in a simple, fast and cost-effective manner.

We are the industry leader in managed services, managing networks with more than 185 million subscribers. Since managed services often are signed in the form of multi-year agreements, a major part of managed services sales are of a recurring nature.

*Systems integration*

Operators can minimize risk by engaging Ericsson to integrate equipment from multiple suppliers and handle technology change programs, as well as to design and integrate new solutions. More and more operators who face challenging technology transformations or introduce multimedia services are asking us to serve as a prime integrator.

*Consulting and education*

As technologies and business models become more complex in the evolution towards broadband and all-IP, our customers rely on our consultants to support them in defining strategies for network evolution, identifying multimedia services for growth and developing the competence of their employees.

*Customer support*

Having experienced professionals available around-the-clock to provide customer support is a crucial part of our service offering.

Our staff, across all regions of the world, supports operators that in total have more than 1 billion customers. Giving advice on how to maximize efficiency in day-to-day operations ensures network uptime and lowers total cost of ownership.

**Segment Multimedia**

The Multimedia offering includes a variation of products and applications of which some are well established in the market, such as the revenue management portfolio and our mobile platforms, whereas others should be seen as investment areas.

Segment Multimedia accounted for 8 percent of total sales in 2007.

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*Networked media and messaging*

Networked media and messaging includes:

- Converged TV; Our end-to-end TV offerings for personal and interactive TV was complemented through the acquisition of Tandberg Television in 2007.
- Music & gaming entertainment solutions; for delivering music, games and videos to a broad base of devices.
- Creative communication; the offerings include applications for enriched communication and instantaneous sharing of experiences and information. Mobeon, a leading supplier of IP based messaging components was acquired to complement our offering.
- Mobile media management solutions, which are tailored for media companies and mobile network operators to provide means for them to expand into new channels and new areas. The offering contains functions for gathering, adapting, and delivering information in a secure way.
- Advertising is a major funding element within traditional media, with the largest growth in new media channels such as the Internet.

*Enterprise applications*

Ericsson makes enterprises more competitive by mobilizing their communications and business processes. Users on the move can access a range of business-critical communications and information applications from a variety of devices over private or public, fixed and mobile networks. Offerings include an application portfolio, platforms and services. We have end-to-end solutions for enterprises of all sizes, both for company premises and/or for hosting by operators.

*Revenue management*

We are a leading provider of revenue management solutions. We help our customers capture and secure their money streams and leverage the business opportunities, by providing expertise and solutions to manage the revenues from traditional as well as multimedia services.

The acquisition of LHS in 2007 further strengthened our position; we can now offer a convergent charging and billing solution that enables operators to handle all users and services in the same way independent on payment options or access technologies.

*Service Delivery Platforms (SDP)*

Ericsson's Service Delivery Platform (SDP) covers all aspects of business-to-consumer (B2C) and business-to-business (B2B) services. Our solutions, products, systems integration and business consulting capabilities are combined to create a multimedia marketplace according to each customer's specific need. Through the acquisition of Drutt, Ericsson has a core product offering, which supports both on- and off-portal business and enables advertisement and commerce of a wide range of different products facilitated by the SDP.

*Mobile Platforms*

Ericsson is a leading platform technology supplier for GSM/EDGE and WCDMA/HSPA platforms used in devices such as mobile handsets, PC-cards, and other mobile devices. Ericsson licenses open-standard end-to-end interoperability tested GSM/EDGE and WCDMA technology platforms.

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The product offerings are based on our comprehensive IPR portfolio and include: reference designs, platform software, ASIC designs and development boards, development and test tools, and training. By licensing our technology and platforms, mobile phone manufacturers can launch new products faster, with limited R&D investments and lower technology risks.

**Segment Phones**

Sony Ericsson Mobile Communications AB (Sony Ericsson) delivers innovative and feature-rich mobile phones, accessories and PC-cards, which allow us to provide end-to-end solutions to our customers. The 50/50 joint venture, formed in October 2001, combines the mobile communications expertise of Ericsson with the consumer electronic devices and content expertise of SONY Corporation and forms an essential part of our end-to-end capability for mobile multimedia services.

Sony Ericsson is responsible for product design and development, as well as marketing, sales, distribution and customer services.

Sales for Sony Ericsson are not included in our reported sales, as their operating results are reported according to the equity method under "Share in earnings of joint ventures and associated companies" in the income statement.

Please also see "Notes to the Consolidated Financial Statements—Note C3, Segment Information."

**GEOGRAPHICAL (SECONDARY) SEGMENTS**

We group sales into five geographical segments; Western Europe, CEMA (Central and Eastern Europe, Middle East and Africa), Asia Pacific, North America and Latin America.

There is a good distribution of sales between geographical segments, mitigating volatility, as a decrease in one area is often offset by an increase in another. The segments have different characteristics in terms of penetration of fixed and mobile telephony, network traffic, sophistication of services and average country GDP and other economic factors.

We strongly believe that affordable and generally available telecommunication services are a prerequisite for social and economic development which improves the welfare of all people in any given country. As one of the world's largest providers of communications equipment and services, Ericsson has implemented a strict trade compliance program throughout the group in order to comply with foreign and domestic laws and regulations, trade embargos and sanctions in force. In no way should our business activities be construed as supporting a particular political agenda or regime.

**SALES PER REGION AND SEGMENT 2007**

<u>SEK million</u>	<u>Networks</u>	<u>Professional Services</u>	<u>Multi-media</u>	<u>Total</u>
Western Europe	28,085	17,287	7,313	52,685
CEMA <sup>1)</sup>	36,435	8,305	3,921	48,661
Asia Pacific	43,101	9,061	2,467	54,629
North America	8,392	3,965	1,065	13,422
Latin America	12,972	4,274	1,137	18,383
<b>Total</b>	<b>128,985</b>	<b>42,892</b>	<b>15,903</b>	<b>187,780</b>

1) Central and Eastern Europe, Middle East and Africa

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**MARKET ENVIRONMENT****Long-term customer relationships and global scale**

We have been present in most of our markets for more than 100 years, building strong, long-term relationships with the world's leading operators. Our scale advantage, end-to-end offerings and a local presence in every major market enable us to serve as a true partner for cost-effective delivery of solutions and support to a diverse base of customers. As operators are increasingly reducing the number of different suppliers they rely on, the responsiveness of our employees and the power of our portfolio of products and services are key to our future success.

We work closely with our customers to understand their businesses and technology needs, and provide tailored solutions to help them fulfill their business objectives. Our expertise and experience in all major telecommunication standards along with our proven track record for quality and innovation have allowed us to develop our business on a worldwide basis. We believe that our widespread geographical presence and the economies of scale associated with market share leadership give us competitive advantages. Global presence is an important factor, particularly when working as a business partner to operators working in multiple markets or globally. We are utilizing our strong international reach and core competence in mobile and fixed communications to expand into growth areas such as systems integration, service applications and managed services, as well as to develop alliances with suppliers and manufacturers in many countries in order to increase our combined effectiveness.

**Customers**

We are supplying equipment, integrated solutions and services to almost all major network operators globally. We derive most of our sales from large, multi-year agreements with a limited number of significant customers. Out of a customer base of more than 425 network operators, the ten largest customers account for 42 (44) percent of our net sales, while the 20 largest customers account for 58 (63) percent of our net sales. Our largest customer accounted for approximately 6 (7) percent of sales during 2007.

Our customers have different needs in interacting with Ericsson as a supplier, ranging from support in identifying and capturing business opportunities to complex system deliveries including systems integration or outsourced operation of the customer's network to simple add-on deliveries of equipment or spare parts to "do-it-yourself" fulfillment. We use three different sales approaches that acknowledge these different needs;

- Project Sales (interactive relationship selling with high involvement of the customer to identify and capture business opportunities, where the solution is not known at the point of sales),
- System Sales (interactive relationship selling of solutions configured for specific customer needs) and
- Product Sales (the outcome of relationship sales and frame agreements where customers may call-off well-defined products and services electronically).

System Sales has historically been our most common sales approach to best meet our customers' needs, however, as their needs evolve, the two other sales approaches will grow in importance.

For more information, see "Risk Factors—Risks Associated with the Industry and Market Conditions".

**Seasonality**

Our quarterly sales, income and cash flow from operations are seasonal in nature and generally lowest in the first quarter of the year and highest in the fourth quarter. This is mainly a result of the seasonal purchase patterns of network operators. Although demonstrating a strong seasonal pattern historically, our seasonal sales variances



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have not conformed to the longer-term pattern during the market downturn starting in 2001 and subsequent recovery during 2004. The table below illustrates the long-term average seasonal effect on sales for the period 1993 through 2007.

**15-YEAR AVERAGE SEASONALITY**

	First quarter	Second quarter	Third quarter	Fourth quarter
Sequential Change	-26%	17%	-4%	32%
Share of annual sales	21%	24%	23%	31%

The table below illustrates the average seasonal effect on sales for the last three years.

**MOST RECENT 3-YEAR AVERAGE SEASONALITY**

	First quarter	Second quarter	Third quarter	Fourth quarter
Sequential Change	-19%	16%	-7%	27%
Share of annual sales	22%	25%	23%	30%

**Competitors**

In Networks, we compete mainly with large and well-established communication equipment suppliers. Although competition varies depending on the products, services and geographical regions, our most significant competitors in mobile communication include Alcatel/Lucent, Huawei, ZTE and Nokia/Siemens. With respect to fixed communications equipment, the competition is also highly concentrated and includes, among others, Alcatel/Lucent, Cisco, Huawei, Nokia/Siemens and Nortel. We also compete with numerous local and regional manufacturers and providers of communication equipment and services. We believe the most important competitive factors in this industry include existing customer relationships, the ability to cost-effectively upgrade or migrate an installed base, technological innovation, product design, compatibility of products with industry standards, and the capability for end-to-end systems integration.

Competition in Professional Services not only includes many of our traditional systems competitors mentioned above but also a number of large companies from other industry sectors, such as IS/IT, for example IBM, EDS, Accenture and electronics manufacturing services companies as well as a large number of smaller but specialized companies operating on a local or regional basis. As this segment grows, we expect to see additional competitors emerge, possibly including some network operators attempting to expand into new segments.

In the Multimedia segment, our competitors vary widely depending on the product or service being offered. We face significant competition with regard to substantially all of these products and services.

Within the segment Phones, the primary competitors include Nokia, Motorola, Samsung and a number of other companies such as LG Electronics, NEC and Sharp. We believe that our mobile phone joint venture with Japan's SONY Corporation creates a distinctive competitive advantage.

For more information, see "Risk Factors—Risks Associated with the Industry and Market Conditions".

**SUPPLY****Manufacturing and assembly**

Most of our node production, i.e., assembly, integration and testing of modular subsystems into complete system nodes such as radio base stations, mobile switching centers etc., is done in-house. About half of our module

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production, i.e., production of subsystems such as circuit boards, radio frequency (RF) modules, antennas etc., is outsourced to a group of electronics manufacturing services companies including Celestica, Elcoteq, Flextronics, Jabil and Soletron, of which the vast majority is in low-cost countries. We also purchase customized and standardized equipment, components and services from several global providers as well as from numerous local and regional suppliers. A number of our suppliers design and manufacture highly specialized and customized components for our end-to-end solutions as well as individual nodes. We generally attempt to negotiate global supply agreements with our primary suppliers. While we are not dependent on any one supplier for the provision of standardized equipment or components and seek to avoid single source supply situations, a need to switch to an alternative supplier may require us to allocate additional resources to ensure that our technical standards and other requirements are met. This process could take some time to complete. Accordingly, a need to switch to an alternative supplier could potentially have an adverse effect on our operations in the short term.

For more information, see "Risk Factors—Strategic and Operational Risks".

In Sweden, the majority of the floor space within our production facilities is used for node assembly and testing. Including the EMS production, approximately 35–40 (35–40) percent of module production and 75–80 (75–80) percent of node production is performed in Sweden.

We intend to continue to outsource module production where adequate manufacturing capacity and expertise are available on favorable terms. Such outsourcing of the major part of module manufacturing provides us greater flexibility to adapt to economic and market changes. However, the timing and level of outsourcing is a balance between short-term demand and longer-term flexibility.

We manage our own production capacity on a global basis by allocating production to sites where capacity is available and costs are competitive. At year-end 2007, our overall utilization was close to 100 percent as we continuously adjust our production capacity to meet expected demand. The table "Primary Manufacturing and assembly facilities" below summarizes where we have our major manufacturing and assembly facilities as well as the total square meters of floor space at year-end.

**Sources and availability of materials**

We purchase raw materials, electronic components, ready-made products and services from a significant number of domestic and foreign suppliers. Variations in market prices for copper, aluminum, steel, precious metals, plastics and other raw materials have a limited effect on our total cost of goods sold. Our purchases mainly consist of electronic components as well as ready-made products and services. To a limited extent, we are involved in the production of certain components such as power modules and cables, which are used in our systems products as well as sold externally to other equipment manufacturers.

Based on our most recent sourcing agreements, the increase in oil and metal prices during 2007 had only a limited negative effect on our costs and did not affect the availability of the electronic components or ready-made products and services that we require. To the extent possible, we rely on alternative supply sources for the purchased elements of our products to avoid sole source situations and to secure sufficient supply at competitive prices. Assuming there will only be a moderate increase in market demand, we do not foresee any supply constraints to meet our expected production requirements during 2008.

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**PRIMARY MANUFACTURING AND ASSEMBLY FACILITIES**

	2007		2006		2005		2004	
	Sites	Sq meters	Sites	Sq meters	Sites	Sq meters	Sites	Sq meters
Sweden	8	244,300	8	231,500	9	256,615	10	277,415
China	4	33,900	3	20,860	3	15,200	3	15,200
Italy	2	20,100	2	20,100	0	0	0	0
Brazil	1	25,900	1	18,400	1	15,840	1	15,840
Germany	1	300	1	13,900	0	0	0	0
India	1	6,400	1	5,364	1	5,364	0	0
Other	1	5,000	2	8,100	0	0	0	0
<b>Total</b>	<b>18</b>	<b>335,900</b>	<b>18</b>	<b>317,560</b>	<b>14</b>	<b>293,019</b>	<b>14</b>	<b>308,455</b>

For more information, see "Risk Factors—Strategic and Operational Risks".

**ORGANIZATION****Governance**

A significant amount of authority and responsibility is assigned to the management of our various operating units for tasks pertaining to day-to-day operations. Governance of our operating units is carried out through steering boards whose members are representatives of the Group Management Team, the Extended Management Team and the management of the particular operating unit.

For more information regarding our corporate governance, please see the Corporate Governance Report or visit our web site [www.ericsson.com/ericsson/corpinfo/corp\\_governance/index.shtml](http://www.ericsson.com/ericsson/corpinfo/corp_governance/index.shtml).

Information on our web site does not form part of this document.

**Group Functions**

A number of Group Functions perform tasks pertaining to certain group-wide matters that are not naturally referable to a specific operational unit: Communications, Finance, Internal Audit, Human Resources and Organization, Legal Affairs, Technology, Sales & Marketing and Strategy & Operational Excellence.

Their responsibilities include the formulation of the Group's strategy, issuing of directives, business control and resource allocation. In addition, Group Functions are responsible for the consolidation and reporting of financial performance, financing and cash management, legal issues, communication with various stakeholders including employees, investors, press and media as well as coordination and administration of a number of group-wide issues. Other important group-wide matters, such as Corporate Responsibility, are managed by Group Functions in conjunction with a network of experts from various parts of the Company. Ericsson Research conducts applied research in various strategic areas to provide Ericsson with system concepts, technology, and methodology to help secure our long-term, strategic position.

**Business Units**

Our operational organization is built around a structure of business units responsible for the development and delivery of products and services to market units that are responsible for local sales and customer support. Product development units are included in the business units.

The business units are Network, Global Services and Multimedia, corresponding largely to our three reportable business segments, where network deployment activities performed by business unit Global Services are included in segment Networks, with the remaining service activities reported as segment Professional Services.